



## **Tanknology – NDE International, Inc., Criminal Plea**

### **Fact Sheet**

October 30, 2002

\*An asterisk notes a revision to this Fact Sheet

**\*Overview:** On October 30, 2002, Tanknology - NDE International, Inc. (Tanknology) was sentenced in the federal district court in Austin, Texas to pay a criminal fine of \$1 million and pay restitution of \$1.29 million to the United States for the cost of the potential retesting of tanks. In addition, Tanknology will serve a term of probation for five years. Pursuant to the plea agreement, which was entered in the Western District of Texas on August 29, 2002, Tanknology will implement a quality management system to ensure that false and improper testing practices do not occur again.

The United States, on July 24, 2002, filed criminal charges against Tanknology-NDE International, Inc. (Tanknology). On the same day, the United States also filed a plea agreement wherein Tanknology agreed to plead guilty to 10 felony counts of presenting false claims and making false statements to federal agencies. The guilty pleas were for false underground storage tank (UST) testing services performed by Tanknology employees at federal facilities in 10 federal districts. These districts include the Western District of Texas; the Northern District of Texas; the Central District of California; the District of Arizona; the Northern District of Illinois; the Middle District of Florida; the District of South Carolina; the Eastern District of Pennsylvania; the District of Massachusetts; and the District of New Jersey.

The government has no evidence that the environment was harmed as a result of the company's violations.

### **\*Company Background:**

- Tanknology is the largest UST testing company in the United States, with 11 offices located across the country. Its corporate headquarters are in Austin, Texas. Tanknology and NDE were created by a 1996 merger.
- The company is publicly traded and currently employs 240 people operating out of its offices across the United States.
- The company has a client base of approximately 3,000.

Source: <http://www.tanknology.com>

### **\*Investigation:**

- The federal government conducted an investigation during 1998-1999, and found evidence that Tanknology employees failed to properly perform tank tightness testing and leak detection testing at U.S. Department of Defense, U.S. Postal Service and the National Aeronautics and Space Administration (NASA) facilities throughout the nation. The false tests ranged from failing to follow required test protocols to conducting "drive-by" tests (e.g., a Tanknology tester was videotaped driving up to a federal facility, driving away after a few minutes and then submitting false data).

- The federal government brought the criminal case against Tanknology using the criminal provisions of 18 U.S.C. Sections 287 and 1001 (false claims and false statements, respectively).
- The case was investigated by several federal criminal investigative agencies, including EPA Criminal Investigation Division, FBI, U.S. Postal Service Office of the Inspector General, Defense Criminal Investigative Service, Army Criminal Investigation Division, Air Force Office of Special Investigations, Navy Criminal Investigative Service and NASA. Investigators were assisted by personnel from the Texas Natural Resources and Conservation Commission and the Pennsylvania Department of Environmental Protection.

**Violations/Fraudulent Practices:** Tanknology admitted to a number of improper and/or fraudulent practices carried out by employees.

- Tanknology regional personnel set schedules for testers that cause some testers to be unable to always conduct valid tests and stay on schedule.
- A corporate bonus system rewarded testers in part for the number of tests they performed.
- Testers knowingly reported test results when, in fact, no tests had been performed.
- Quality assurance personnel complained to corporate and regional personnel that testers were inadequately trained and performing invalid tests, but the corporation failed to implement quality assurance that could have prevented the invalid testing practices.

**\*UST Retesting at Affected Federal Facilities:** The USTs at the federal facilities, where necessary, have been re-tested or may be retested to ensure that the tank systems are not leaking.

**EPA-State Coordination:** The criminal plea agreement was part of a federal criminal investigation. States were notified that search warrants were issued to investigate Tanknology in March 2000, but not of the ensuing case resulting from the investigation until just prior to the federal government filed this plea agreement with Tanknology. Those states, such as Pennsylvania and Texas, that participated in the criminal investigation, were bound by the grand jury requirements not to divulge this information.

**Underground Storage Tanks Federal Requirements:** Releases (e.g., spills, overfills or leaking tanks and piping) from USTs can cause fires, explosions, and contaminate soil and groundwater. Currently, more than 50 percent of the nation's population depends on groundwater for drinking water. Owners and operators must minimize a threat of petroleum contamination from USTs or hazardous substances to health or the environment by properly managing tank systems. Federal law includes these requirements:

- Subtitle I to the Resource Conservation and Recovery Act requires owners and operators of new tanks and tanks already in the ground to prevent, detect, and clean up releases.

- UST owners and operators are required to have their tanks tested to ensure that their systems are not leaking any petroleum or hazardous substances into the soil or groundwater.

**Additional information regarding this case can be found at**  
<http://www.epa.gov/compliance/newsroom>